

NEW ENTERPRISE CREATION ACT

MISSOURI DEPARTMENT OF ECONOMIC DEVELOPMENT

PURPOSE

To generate investment for Missouri startup businesses that have not developed to the point where they can successfully attract conventional financing or significant venture capital from later-stage funds.

AUTHORIZATION

Sections 620.635 to 620.653, RSMo

HOW THE PROGRAM WORKS

The Department of Economic Development (DED) will issue tax credits equal to 100% of the investment in a qualified fund to any accredited individual, corporation, partnership or financial institution who makes a qualified investment. At this point, all credits allowed under the law have been authorized.

The Missouri Seed Capital Investment Board was created to establish a qualified fund. The Board is comprised of 13 members, eight of which are appointed by the Governor.

Prolog Ventures, LLC (Prolog) was selected by the Board as the Fund Manager to raise the contributions and manage the investments of the fund. Prolog entered into a contract with the four Innovation Centers, as required by statute. Investors in the qualified fund will also be required to invest in a non-qualified parallel fund that will make investments in Missouri and surrounding states. Prolog will make investments in qualified Missouri businesses in need of early-stage or “seed” funding.

ELIGIBLE AREAS

Statewide.

ELIGIBLE USE OF FUNDS

Investments made through this program may be used for research; development and pre-commercialization activities to prove a concept for a new product, process or service; pre-

production product development; service development; or initial marketing of a product.

ELIGIBLE APPLICANTS FOR INVESTMENT

Any independently owned and operated business that is headquartered and located in Missouri and maintains a Missouri headquarters for at least three years. The business must be involved in commerce for the purpose of production, conducting research and development or providing services in interstate commerce. The focus is on businesses in the startup or development phase.

Prolog is seeking businesses based upon proprietary technology with the potential to develop a strong intellectual property position. Areas of interest include medical devices and diagnostics, human and agricultural biotechnology and biomedical IT. Of potential interest are instruments, photonics, new materials and software.

Businesses that are excluded from investments include retail and consumer, real estate, oil and gas, minerals, telecom networks, Internet portals and publishing and consumer-oriented IT.

The business should have no positive cash flow in the prior fiscal year. Revenue oriented companies should target at least \$30 million in revenues in five years. Businesses whose valuation is not dependent upon revenues will be evaluated according to its potential for valuation increases upon attaining milestones. The business should be willing to provide a non-confidential summary and hold initial discussions on a non-confidential basis.

The business must maintain its headquarters in Missouri for a period of at least three years from the date of the qualified investment or be subject to penalty.

FUNDING LIMITS

The Prolog Funds will typically invest between \$500,000 and \$1,500,000 in a single business. They have the potential to invest \$2,000,000 to \$3,000,000 at the maximum.

No more than 10% of all of the qualified contributions to a qualified fund may be invested in a single qualified business.

Investments shall not be provided to any business that has experienced positive cash flow in a past fiscal year, with the exception of follow-up capital limited to qualified businesses that previously received qualified investments. No more than 40% of qualified contributions may be used for follow-up capital purposes.

APPLICATION PROCEDURE FOR THE BUSINESS

The business seeking an investment should send Prolog a non-confidential executive summary of their business plan. Applicants will be contacted directly by Prolog regarding their level of interest and any subsequent steps that are required. DED does not have the authority to require the Fund Manager to fund a project.

FUND MANAGER

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ADDITIONAL RESOURCES

Go to the department's home page at www.missouridevelopment.org for a wealth of information regarding Missouri's many other economic development programs and policies.